These Dividend-Growth Kings Raised Their Rates on Thursday

Description

One of the most successful investment strategies is to buy and hold stocks with track records of dividend growth. This is because a rising dividend is a sign of a very strong business with excellent cash flows and earnings to support increased payouts, and the dividends themselves really add up over time when reinvested.

With all of this in mind, let's take a look at two stocks that raised their dividends by more than 5% on Thursday and have active streaks of annual increases, so you can determine if you should buy one or both of them today.

BCE Inc.

BCE Inc. (TSX:BCE)(NYSE:BCE) is Canada's largest communications company, providing a wide range of services to approximately 20.95 million subscribers across the country.

In its fourth-quarter earnings release before the market opened on Thursday, February 2, BCE announced a 5.1% increase to its quarterly dividend to $0.7175 per share, representing $2.87 per share on an annualized basis, and this brings its yield up to 5% today. The first quarterly installment at this increased rate is payable on April 15 to shareholders of record at the close of business on March 15.

This hike did not come as a shock to BCE's shareholders as it has raised its annual dividend payment in each of the last eight years, and the hike it just announced has it positioned for 2017 to mark the ninth consecutive year with an increase.

I think investors can count on BCE for further dividend growth going forward too. I think this because it has a target dividend-payout range of 65-75% of its free cash flow, so I think its continual growth, including its 7.6% year-over-year increase to $3.23 billion in 2016, and its acquisition of **Manitoba Telecom Services Inc.,** which is expected to close by the end of the first quarter of 2017 and immediately be accretive to its cash flow, will allow its streak of annual dividend increases to continue for another nine years.

Brookfield Renewable Partners LP

Brookfield Renewable Partners LP (TSX:BEP.UN)(NYSE:BEP) owns and operates one of the world's largest renewable power businesses. Its portfolio consists of 262 predominantly hydroelectric facilities located across North America, South America, and Europe that have a total generation capacity of approximately 10,731 megawatts.

In its fourth-quarter earnings release on the morning of Thursday, February 2, Brookfield announced a 5.1% increase to its quarterly distribution to US$0.4675 per unit, representing US$1.87 per unit on an annualized basis, and this brings its yield to a hefty 6.3% today. The first quarterly payment at this increased rate will be made on March 31 to shareholders of record at the close of business on February 28.

Like BCE, Brookfield has a reputation for distribution growth as it has raised its annual payment each of the last five years, and the hike it just announced has it on pace for 2017 to mark the sixth consecutive year with an increase.

Investors can continue to rely on Brookfield for distribution growth going forward as well, because it has a long-term distribution-growth target of 5-9% annually, and I think its very strong financial performance, including its 7.6% year-over-year increase in normalized funds from operations to US$1.83 per share in 2016, and its ongoing expansion efforts, including its addition of 13 facilities and approximately 3,447 megawatts of generating capacity in 2016, will allow it to achieve this growth target through 2025 at the very least.

Should you prefer one to the other?

BCE and Brookfield Renewable Partners both offer high, safe, and growing dividends, making them strong buys in my book. With this being said, I do not prefer one to the other, so I would either buy both or flip a coin to decide between them.

CATEGORY

1. Dividend Stocks
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2. NYSE:BEP (Brookfield Renewable Partners L.P.)
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